SCHEDULE 1 -- COAL TRANSPORTATION SYSTEM SUMMARY SHEET

<table>
<thead>
<tr>
<th>Segment of Transportation</th>
<th>Mode of Transportation</th>
<th>Arm's-Length/ Customer-Owned Indicator</th>
<th>Operating Costs</th>
<th>Depreciation</th>
<th>Rate of Return</th>
<th>Undepreciated Capital Investment</th>
<th>Return on Investment</th>
</tr>
</thead>
<tbody>
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Allowance rate = (6d + 6e + 6h) / Tons of production transported from the mine to the washing facility, expressed in terms of clean coal tonnage.

\[
\text{Allowance rate} = \frac{6d + 6e + 6h}{\text{Tons of production transported}}
\]

**Part A Total Cost**

**Part A Total Clean Tons**

**Cost per Ton**

**Part B Total Cost**

**Part B Total Tons**

**Cost per Ton**

Total Unit Allowance Rate = line 7h plus line 12h.

Royalty Allowance Amount for coal transported and sold during the reporting period = Allowance rate (line 13) times lease tons transported and sold during the reporting period (__________tons) times the lease ad valorem royalty rate (__________%).

Royalty Allowance Amount for coal transported during a prior period and sold during the reporting period = Allowance rate for deferred tons (__________ tons) times lease tons of deferred coal sold during the reporting period (__________tons) times the lease ad valorem royalty rate (__________%).

Total Royalty Allowance Amount = line 14 plus line 15.
INSTRUCTIONS FOR COMPLETING FORM MMS-4293, SCHEDULE 1

Use a separate Schedule 1 to determine the royalty transportation allowance amount for each lease number/transportation facility combination. Do not take an allowance if the transportation facility is not off the lease.

Use Part A to accumulate segment costs and compute an allowance for transporting coal from the lease to a remote washing facility. Use Part B to accumulate segment costs and compute an allowance for transporting coal from the lease to a remote sales point.

You must submit a clear schematic diagram, on no larger than 8-1/2 x 11-inch paper, illustrating the transportation facility from the lease to the point where the coal is disposed. Designate transportation segments, measurement points, and points of sale or disposition for royalty purposes.

1. **Customer Name, Code, and Address** – Enter the same company name, code, and address as used on Page 1 of the Form MMS-4293.

2. **Lease and Mine Information** – Enter the same lease number and mine name combination as used on Page 1 of the Form MMS-4293. Enter a transportation name or facility number unique to the transportation facility. (For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.) Enter the same product as entered on page 1. Enter the line number corresponding to the lease and mine referenced on Page 1. Enter the same reporting period as shown in item 5 on Page 1.

The following instructions apply to Part A (lines 3-5) and Part B (lines 8-10):

a. **Segment of Transportation** – Describe each segment of the transportation facility; e.g., from lease M12-345678-0 to the Warrington washing facility.

b. **Mode of Transportation** – Describe the mode of transportation under which you incur costs; e.g., truck, rail, slurry pipeline.

c. **Arm’s Length/Customer-Owned Indicator** – Indicate how you incurred the facility/segment costs as follows:
   - “4” if you incur 100% of the transportation costs under non-arm’s length conditions
   - “5” if transportation costs were a combination of arm’s length and non-arm’s length conditions
   - “6” if you incur 100% of the transportation costs under arm’s length conditions

d. **Arm’s Length Contract/Customer-Owned Operating Costs** – If you incur transportation costs under arm’s length conditions, enter the total costs incurred for the period by multiplying the transportation rate by the volume transported at that rate. Do not take an allowance for coal that is not valued for royalty purposes. If two or more rates apply during the reporting period, compute and sum the cost incurred under each rate.
If you incur transportation costs under non-arm’s length or customer-owned conditions, complete columns (d) through (h). Using Schedule 1A, determine the operations, maintenance, and overhead expenditures and enter the totals in column (d). Complete a separate Schedule 1A for each individual segment.

**Do not complete columns (e) through (h) for arm’s length costs.**

e. **Depreciation** – Enter depreciation costs for the reporting period. Use Schedule 1B to determine depreciation costs.

f. **Rate of Return** – The rate of return is the industrial rate associated with Standard and Poor’s BBB rating. Enter the monthly average rate as published in *Standard and Poor’s Bond Guide* for the first month of the reporting period.

g. **Undepreciated Capital Investment at Beginning of Year** – Enter the beginning-of-year undepreciated capital investment. You must use Schedule 1B to determine beginning-of-year undepreciated capital investment. Complete a separate Schedule 1B for each individual segment.

h. **Return on Investment** – Multiply column (f) by column (g) to calculate the return on undepreciated capital investment.

6. **Totals** – Enter the totals from columns (d), (e), and (h).

7. **Part A Totals** – Sum lines 6d, 6e, and 6h and enter in Part A Total Cost. Enter in Part A Total Clean Tons the total volume of production transported from the lease to the washing facility, as measured at the approved point of royalty measurement. Compute the allowance cost per ton by dividing Part A Total Cost by Part A Total Clean Tons. Calculate it to six decimals and enter it in Cost per Ton.

11. **Totals** – Enter the totals from columns (d), (e), and (h).

12. **Part B Totals** – Sum lines 11d, 11e, and 11h and enter in Part B Total Cost. Enter in Part B Total Tons the total volume of production transported from the lease to the remote sales point, as measured at the approved point of royalty measurement. Compute the allowance cost per ton by dividing Part B Total Cost by Part B Total Tons. Calculate it to six decimals and enter it in Cost per Ton.

13. **Total Unit Allowance Rate** – Add lines 7h and 12h.

14. **Royalty Allowance Amount for Current Reporting Period** – Multiply line 13 by the lease tons transported and sold during the reporting period and by the lease ad valorem royalty rate.

15. **Royalty Allowance Amount for Coal Transported in a Prior Reporting Period and Sold in the Current Period** – Multiply the allowance rate for deferred tons by the lease tons of deferred coal sold during the reporting period and by the lease ad valorem royalty rate.

16. **Total Royalty Allowance Amount** – Add lines 14 and 15.